

DIRECT TESTIMONY AND EXHIBIT OF**O'NEIL O. MORGAN****ON BEHALF OF****THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF****DOCKET NO. 2021-361-G**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. My name is O'Neil O. Morgan. My business address is 1401 Main Street, Suite
3 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a
4 Senior Engineer in the Utility Rates and Services Division of the Office of Regulatory Staff
5 ("ORS").

6 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

7 A. I received a Bachelor of Engineering degree in Mechanical Engineering from the
8 University of Technology, Jamaica in 2006 and a Master of Science degree in Engineering
9 Management from Florida International University in 2008. I have worked in the energy
10 industry for over sixteen (16) years and prior to my employment at ORS, served in a variety
11 of positions developing and implementing energy efficiency ("EE") and demand side
12 management ("DSM" and together with EE, "EE/DSM") programs for multiple investor-
13 owned utilities in the United States. My responsibilities included providing guidance and
14 recommendations on various technical issues relating to EE program implementation,
15 baseline determination, energy impact estimation algorithms, rebate processes, and
16 responding to measurement and verification evaluators and regulatory staff in various
17 states. I joined ORS in November 2019 and assumed my current position at that time.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have testified on multiple occasions before the Commission in matters related to the annual fuel clause, avoided costs, and EE/DSM proceedings.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly in S.C. Code Ann. § 58-4-10 as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my direct testimony is to set forth ORS’s recommendations resulting from the examination of Dominion Energy South Carolina, Inc.’s. (“DESC” or the “Company”) Application for the Approval of New Natural Gas EE/DSM Programs and Notice of Intent to Seek Net Lost Revenues (“NLR”) Recovery under the Natural Gas Rate Stabilization Act (“RSA”) (“Application”) for compliance with certain sections of South Carolina law, specifically S.C. Code Ann. § 58-37-20.

Q. DID YOU INCLUDE ANY EXHIBITS WITH YOUR DIRECT TESTIMONY?

A. Yes. I have included one (1) exhibit with my direct testimony labeled Exhibit OOM-1. The exhibit includes four (4) tables with information related to; 1) forecasted program participation, 2) forecasted program therm savings, 3) forecasted program costs, and 4) cost-effectiveness test results provided by the Company.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

1 A. Yes. The review to which I testify was performed by me or under my supervision.

2 **Q. PLEASE SUMMARIZE THE NATURAL GAS EE/DSM PROGRAMS PROPOSED**
3 **BY THE COMPANY.**

4 A. The Company proposes four (4) EE/DSM programs (collectively, referred to herein
5 as "Programs"):

- 6 1. Expanded eligibility in the Company's Residential EnergyWise Savings
7 Store to include product offerings allowing online discounts for natural gas
8 customers. Customers will receive an instant rebate towards the purchase of
9 energy efficient gas home products and measures.
- 10 2. Residential High Efficiency Gas Equipment Program which offers rebates
11 to residential natural gas customers who purchase eligible gas furnaces, gas
12 water heaters, gas tankless water heaters, and gas direct vent fireplaces.
- 13 3. Commercial High Efficiency Gas Equipment Program which offers rebates
14 to commercial natural gas customers for equipment such as space and water
15 heating for small businesses, and commercial cooking equipment for
16 medium-sized business customers.
- 17 4. Expansion of the Company's Neighborhood Energy Efficiency Program
18 ("NEEP") to accommodate the Company's income-qualified natural gas
19 customers. The NEEP will provide EE education, an in-home energy
20 assessment, and direct installation of low-cost energy saving measures.

21 **Q. HOW DO THE COMPANY'S PROPOSED PROGRAMS COMPARE TO THOSE**
22 **OFFERED BY REGULATED NATURAL GAS UTILITIES IN SOUTH**
23 **CAROLINA AND OTHER JURISDICTIONS?**

A. ORS studied other natural gas EE/DSM programs offered by utilities in South Carolina and other jurisdictions such as Piedmont Natural Gas Company, Inc. ("Piedmont"), Washington Gas, Atlanta Gas Light, and Public Service Company of North Carolina Energy ("PSNC"), which is now a part of Virginia-based Dominion Energy, Inc. ORS determined the Company's proposed Programs were consistent with the EE/DSM programs offered by these other regulated gas utilities in terms of measures and associated rebates offered to customers participating in the programs.

Q. WHAT IS THE COMPANY'S FORECASTED CUSTOMER PARTICIPATION IN THE PROPOSED PROGRAMS?

A. The Company, in response to ORS's Request for Information 1-9, provided forecasted participation in the proposed Programs. Based on the forecasted participation numbers, and supporting information the Company provided, the Company's existing customer base, and the efficiency Programs proposed, the Company's forecasted participation numbers are reasonable. The forecasted participation percentages for the Company's proposed Programs are shown in Table 1 as part of Exhibit OOM-1.

The Company does not plan to offer the proposed gas EE/DSM Programs to its Large General Service Class of customers, including Industrial customers.

Q. ARE THE COMPANY'S FORECASTED THERM SAVINGS FOR THE PROPOSED PROGRAMS REASONABLE?

A. Yes. ORS reviewed the Company's forecasted therm savings and the supporting information provided by the Company and found the forecasts to be reasonable in terms of the forecasted participation and the natural gas EE/DSM measures that will be eligible for

rebates through the proposed Programs. The forecasted therm savings for the Company's proposed Programs are shown in Table 2 as part of Exhibit OOM-1.

Q. ARE THE COMPANY'S FORECASTED COSTS TO IMPLEMENT THE PROPOSED PROGRAMS REASONABLE?

A. Yes. ORS reviewed the Company's forecasted costs and supporting information and found them to be reasonable and consistent with industry standards based on the Company's customer base and EE/DSM measures being offered as part of the proposed Programs. The forecasted costs for the Programs are shown in Table 3 as part of Exhibit OOM-1.

Q. HOW DOES THE COMPANY PLAN TO RECOVER THE ESTIMATED COSTS ASSOCIATED WITH THE IMPLEMENTATION OF THE PROPOSED PROGRAMS?

A. The Company proposes the use of a separate charge or Rider to recover the costs associated with the proposed EE/DSM Programs. The Company proposes to add the Gas EE/DSM Rider to its existing natural gas rate schedules and tariffs. The unrecovered balances of the proposed Program costs will be amortized over a three (3) year period, using the Company's embedded cost of long-term debt to calculate carrying costs on the unrecovered balance, which is consistent with the Commission's treatment of the Company's electric EE/DSM programs. The NLR resulting from the proposed Programs will be recovered through the Company's annual RSA proceedings.

Q. DOES ORS OBJECT TO THE COMPANY'S PROPOSED METHODOLOGY FOR RECOVERY OF THE PROJECTED COSTS TO IMPLEMENT THE PROPOSED PROGRAMS AND NLR?

1 A. No. The Company's proposed method of cost recovery is similar in structure to the
2 electric EE/DSM programs and is consistent with previous Commission orders,
3 specifically Order No. 2019-880 in Docket No. 2019-239-E. The recovery of NLR will be
4 through the Company's annual RSA proceeding under S.C. Code Ann. § 58-5-400.

5 **Q. DOES ORS DISAGREE WITH THE SHARED SAVINGS INCENTIVE ("SSI") OF**
6 **9.9% AS PART OF THE COST RECOVERY MECHANISM?**

7 Yes. ORS disagrees with the SSI rate of 9.9% that the Company proposes in this
8 proceeding. The Company's last retail natural gas general rate proceeding was in 2005
9 (Docket No. 2005-113-G). Given that it has been seventeen (17) years since the Company's
10 authorized return on equity ("ROE") was determined in a general rate proceeding, ORS
11 believes the SSI should be aligned with the ROE established in the Company's upcoming
12 general rate proceeding which will be filed no later than April 1, 2023. Pursuant to the
13 settlement agreement the Commission approved in Docket No. 2020-6-G, the Company
14 must file a retail natural gas general rate proceeding no later than April 1, 2023, during
15 which a new ROE will be determined. In addition, while the 9.9% SSI proposed by the
16 Company matches the SSI of 9.9% for the electric EE/DSM programs that was established
17 in 2019, subsequently, in 2021, a ROE of 9.5% was set in the Company's electric general
18 rate proceeding.

19 ORS recommends the SSI be set at the ROE that will be determined in the
20 upcoming general rate case proceeding in 2023 and authorize a true up if required once the
21 ROE is determined. The current schedule for the general rate case proceeding should
22 produce an order from the Commission by November 2023 and the Commission's review
23 and ruling on the first annual review of Company's proposed Programs would occur in

November 2023. This would allow the Company to apply the ROE that is determined in the general rate case. If there is a delay in the schedule, there will be a true up retroactive to the effective date of approval of the Gas EE/DSM Programs.

Q. ARE THE COMPANY'S COST-EFFECTIVENESS TEST RESULTS FOR THE PROPOSED PROGRAMS REASONABLE?

A. Yes. ORS reviewed the Company's cost-effectiveness test results for each program and the overall portfolio as well as the supporting calculations documentation provided as part of the Company's response to ORS's Request for Information 1-3 and found the Company's cost-effectiveness test results to be reasonable based on the potential measure savings and associated costs. The potential measure savings and associated costs align with therms saving values and methodology used in industry standard terms of reference manuals. A summary of the proposed Programs' cost-effectiveness test results for the Total Resource Cost Test ("TRC"), Participant Cost Test ("PCT"), Utility Costs Test ("UCT"), and the Ratepayer Impact Measure Test ("RIM") are provided in Table 4 as part of Exhibit OOM-1. The TRC is the determinant test used for new program approval for the Company.

The proposed NEEP program does not pass the TRC, UCT, or RIM test as a standalone program. However, in electric EE/DSM program portfolios, the Commission has approved income-qualified programs that are not cost-effective, which was based on a Settlement Agreement in which parties agreed that low-income programs may not pass the TRC test, and such result should not prevent the implementation of the program.

Q. DO THE COMPANY'S PROPOSED PROGRAMS GENERALLY COMPLY WITH S.C. CODE ANN. § 58-37-20?

A. Yes. ORS reviewed the Company's proposed Programs and is of the opinion the proposed Programs generally comply with the requirements of S.C. Code Ann. § 58-37-20, which states:

The South Carolina Public Service Commission may adopt procedures that encourage electrical utilities and public utilities providing gas services subject to the jurisdiction of the commission to invest in cost-effective energy efficient technologies and energy conservation programs. If adopted, these procedures must: provide incentives and cost recovery for energy suppliers and distributors who invest in energy supply and end-use technologies that are cost-effective, environmentally acceptable, and reduce energy consumption or demand; allow energy suppliers and distributors to recover costs and obtain a reasonable rate of return on their investment in qualified demand-side management programs sufficient to make these programs at least as financially attractive as construction of new generating facilities; require the Public Service Commission to establish rates and charges that ensure that the net income of an electrical or gas utility regulated by the commission after implementation of specific cost-effective energy conservation measures is at least as high as the net income would have been if the energy conservation measures had not been implemented. For purposes of this section only, the term "demand-side activity" means a program conducted by an electrical utility or public utility providing gas services for the reduction or more efficient use of energy requirements of the utility or its customers including, but not limited to, utility transmission and distribution system efficiency, customer conservation and efficiency, load management, cogeneration, and renewable energy technologies.

Q. HOW WILL THE COMPANY'S PROPOSED PROGRAMS IMPACT A RESIDENTIAL CUSTOMER'S BILL?

A. The Company's Application and Company Witness Smith's direct testimony indicates the costs associated with the implementation of the proposed Programs will have an initial impact of \$0.15-\$0.20 on the monthly bill of a residential natural gas customer using 100 therms (Company Witness Smith Direct, p. 11, ll. 15-16).

Q. DOES ORS OBJECT TO THE COMPANY'S REQUEST TO MAKE FUTURE AMENDMENTS OR MODIFICATIONS TO THE PROPOSED PROGRAMS

**WITHOUT THE REQUIREMENT TO FIRST SEEK COMMISSION'S
APPROVAL?**

A. No. ORS does not object to the Company's request to make future amendments or modification to the proposed Programs without approval from the Commission as this is consistent with previous approvals from the Commission on electric DSM programs. Any such modifications or amendments should be timely reported to the Commission, and the Company should be required to seek Commission approval prior to terminating any program.

**Q. HOW WILL ORS MONITOR THE PROGRESS OF THE COMPANY'S
PROPOSED PROGRAMS?**

A. If the Company's proposed Programs are approved by the Commission, ORS will have an opportunity to review the Company's activities on an annual basis through the annual reporting mechanism. The Company's annual gas EE/DSM report would be filed with the Commission on July 31st of each year. ORS would have two (2) months (August and September) to conduct an audit and discovery on the Programs and file a report by October 1st of each year. ORS also will continue to review the Company's RSA monitoring report that the Company files with the Commission on or before June 15th for each twelve-month period ending on March 31st.

In addition, ORS recommends any approval of the Programs be for a five (5) year period, the Company be required to file an Application if it wishes to continue the Programs, and that a comprehensive review of the proposed Programs be completed at that time so that a decision can be made on whether to continue/modify or discontinue the Programs.

Q. PLEASE SUMMARIZE ORS'S POSITION REGARDING THE PROPOSED PROGRAMS IN THIS DOCKET?

A. ORS does not object to the Company's requests to implement four (4) new Natural Gas EE/DSM Programs and proposed mechanism for recovery of costs associated with the implementation of the Programs through a new natural gas rate rider and recovery of NLR through the Company's annual RSA proceedings.

With regard to the Company's proposal of an SSI of 9.9 %, ORS recommends the SSI be set at the ROE that will be determined in the upcoming general rate case proceeding in 2023 and authorize a true up if required once the ROE is determined.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, becomes available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Table 1: Forecasted Participation Percentages

Programs	Participation Percentages	
	Year 1	Years 1-5
Residential High Efficiency Gas Equipment Program	0.32%	2.45%
Residential EnergyWise Savings Store	0.26%	1.65%
Neighborhood Energy Efficiency Program (“NEEP”)	0.16%	0.78%
Commercial High Efficiency Gas Equipment Program	1.16%	8.46%

Table 2: Forecasted Gross Therm Savings

Programs	Sector	Yr1	Yr2	Yr3	Yr4	Yr5	5-Yr Total
Residential High Efficiency Gas Equipment Program	Res.	92,839	127,762	159,550	159,550	159,964	699,665
Residential EnergyWise Savings Store	Res.	34,329	41,154	47,978	47,978	47,978	219,417
Neighborhood Energy Efficiency Program (“NEEP”)	Res.	20,248	20,248	20,248	20,248	20,248	101,240
Commercial High Efficiency Gas Equipment Program	Com.	67,092	91,116	113,883	113,883	113,883	499,857
Total		214,508	280,280	341,659	341,659	342,073	1,520,179

Table 3: Forecasted Program Costs

Programs	Sector	Yr1	Yr2	Yr3	Yr4	Yr5	5-Yr Total
Residential High Efficiency Gas Equipment Program	Res.	\$433,945	\$564,095	\$699,025	\$699,025	\$702,725	\$3,098,815
Residential EnergyWise Savings Store	Res.	\$73,869	\$76,751	\$84,633	\$84,633	\$84,633	\$404,519
Neighborhood Energy Efficiency Program (“NEEP”)	Res.	\$242,645	\$242,645	\$242,645	\$242,645	\$242,645	\$1,213,225
Commercial High Efficiency Gas Equipment Program	Com.	\$200,028	\$226,768	\$268,083	\$268,083	\$268,083	\$1,231,045
Portfolio Mgmt/Admin		\$260,985	\$228,477	\$243,415	\$243,415	\$243,785	\$1,220,077
Total		\$1,211,472	\$1,338,736	\$1,537,801	\$1,537,801	\$1,541,871	\$7,167,681

Table 4: Cost-effectiveness Test Results

Programs	TRC		PCT		UCT		RIM	
	NPV	B/C	NPV	B/C	NPV	B/C	NPV	B/C
Residential High Efficiency Gas Equipment Program	\$515,644	\$1.1	\$6,561,957	2.8	\$1,898,193	1.7	(\$6,046,313)	0.4
Residential EnergyWise Savings Store	\$351,295	\$1.5	\$1,458,133	3.8	\$664,746	2.9	(\$1,106,838)	0.5
Commercial High Efficiency Gas Equipment Program	\$242,685	\$1.1	\$3,053,408	3.2	\$1,031,017	2.0	(\$2,810,723)	0.4
Neighborhood Energy Efficiency Program (“NEEP”)	(\$591,828)	\$0.4	\$784,668	17.9	(\$591,828)	0.4	(\$1,376,496)	0.2
Portfolio Mgmt/Admin Costs	(\$1,052,949)	N/A	\$0	N/A	(\$1,052,949)	N/A	(\$1,052,949)	N/A
Total	\$56,675	1.0	\$11,073,498	3.0	\$2,541,007	1.5	(\$11,016,823)	0.4

*excludes Low Income program